



STATE OF WASHINGTON

**LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS'
PLAN 2 RETIREMENT BOARD**

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REGULAR BOARD MEETING
September 13, 2006

The Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board met in the Boardroom of the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington on September 13, 2006.

Board Members Present:

Kelly Fox, Chair
Greg Cuoio
Michael Edwards
Pat Hepler
Jeff Holy
Mark Johnston
Senator Linda Evans Parlette
Representative Geoff Simpson

Staff Present:

Steve Nelsen, Executive Director
Shawn Merchant, Deputy Director
Jessica Burkhart, Executive Assistant
Jeralyn Faulhaber, Administrative Services Manager
Tim Valencia, Senior Research and Policy Manager
Greg Deam, Senior Research and Policy Manager
Linda Sullivan-Colglazier, Assistant Attorney General

Guests:

Marilyn Oliver, Oliver Consulting
Matt Smith, State Actuary

Board Members Not Present:

Jack Simington, Vice Chair
Clint Olson
Glenn Olson

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:41 a.m. The Board took a moment of silence to honor Eddie Thompson, A Brier police officer who was killed in the line of duty.

1) August 23, 2006 Board Meeting Minutes

It was moved that the August 23, 2006 Board meeting minutes be Adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY**2) Follow-Up to Preliminary Results of Actuarial Valuation****Matt Smith, State Actuary**

Matt Smith, State Actuary provided the Board members with a *Follow-Up to the Preliminary Results of the Actuarial Valuation* that was presented last month. He recommended the following 2007-09 contribution rates to the Board:

Contribution Rates Including Projected Mortality Improvement

	<u>2007-08</u>	<u>2008-09</u>
Member	8.73%	8.92%
Local Employer	5.25%	5.36%
State	3.48%	3.56%

Excludes administrative expense rate, currently 0.18%

Contribution Rates Excluding Projected Mortality Improvement

	<u>2007-09</u>	<u>2008-09</u>
Member	8.06%	8.25%
Local Employer	4.84%	4.95%
State	3.22%	3.30%

Excludes administrative expense rate, currently 0.18%

Mr. Smith also provided a letter addressed to the Pension Funding Council explaining his position on mortality assumptions.

3) Results of Actuarial Valuation Audit – Marilyn Oliver, Oliver Consulting

Marilyn Oliver, Principal and Actuary for Oliver Consulting presented the Results of the *Actuarial Valuation*. Ms. Oliver stated that the audit of the recommended contribution rates encompassed member data, valuation software, actuarial value of assets, contribution rate formulas and calculations and assumption changes.

Ms. Oliver stated that as a result of the audit they did not find any material gaps in the valuation process or procedures.

4) Change in Mortality Assumption – Steve Nelsen, Executive Director

Steve Nelsen, Executive Director provided the Board with an Initial Consideration on the topic of *Change in Mortality Assumption*. Mr. Nelsen provided background information regarding the use of projected mortality improvements in other retirement plans in the United States.

5) 2007-09 Rate Adoption

After reviewing the recommended 2007-09 Contribution Rates with and without the mortality assumption, the Board took the following action.

The Board moved to adopt the recommended 2007-09 Contribution Rates excluding Mortality Assumption. Seconded.

OPPOSED: Greg Cuoio, Pat Hepler, Mark Johnston, and Senator Linda Evans Parlette

MOTION FAILED

The Board moved to adopt the recommended 2007-09 Contribution Rates including Mortality Assumption. Seconded.

OPPOSED: Michael Edwards, Kelly Fox, Pat Hepler, Jeff Holy, Mark Johnston, Representative Geoff Simpson

MOTION FAILED

Since neither motion passed, the rates that were previously adopted for the 2007-09 biennium at the May 24, 2006 meeting will remain in effect.

**6) Washington State Investment Board Briefing –
Diane Will, Senior Investment Officer/Asset Allocation**

This topic was rescheduled for the October Board meeting.

7) Administrative Update**2007 Proposed Meeting Calendar**

A calendar with proposed meeting dates for 2007 was given to the Board members. Members will review their schedules and the Board will revisit this topic at the October meeting.

IT Security Audit

As required by the State of Washington, the LEOFF staff finished the IT Security Audit and incorporated the suggested changes.

Budget Update

Mr. Nelsen reported that the 2007 budget has been submitted to the Office of Financial Management. He indicated that the Board will now be required to pay an additional \$1,000 per year for the state's self insurance premium which is mandatory. A budget decision package was submitted for this item as well.

8) Pension Forfeiture – Steve Nelsen, Executive Director

This topic was rescheduled for the December 2006 Board meeting.

9) Retiree Health Care Insurance – Preliminary Report, Tim Valencia

Tim Valencia, Senior Research and Policy Manager presented a Preliminary Report and presentation on *Retiree Health Care Insurance*. Mr. Valencia included key issues such as access to retiree healthcare, increasing retirements, erosion of benefits and frequently requested benefits.

Mr. Valencia provided the members with two policy options. The first option would provide all LEOFF Plan 2 retirees' access to PEBB (all costs paid by the retiree). The second option would provide all LEOFF Plan 2 retirees' access to PEBB with all or part of the cost paid by a revenue source to be determined.

The Board moved to forward the topic of Retiree Health Care Insurance to the Preliminary Follow-Up stage and bring it back to the October 25, 2006 meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

10) Alternate Revenue Source – Preliminary Report , Tim Valencia

Tim Valencia, Senior Research and Policy Manager Provided the Board with a Preliminary Report and presentation on the topic of Alternate Revenue Source. The report included a brief summary on enhancing benefits, maintaining financial integrity, and locating an alternate revenue source.

Mr. Valencia went on to provide the Board with the following policy options:

OPTION #1:

Increase Fire Insurance Premium Tax

OPTION #2:

Expand Property Tax Authority and Purpose

The Board moved to forward the topic of Alternate Revenue Source to the Preliminary Follow-Up stage and bring it back to the October 25, 2006 meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

11) Service Credit Transfer Waiting Period – Initial Consideration, Greg Deam

The Board moved Service Credit Transfer Waiting Period to the Preliminary Report Stage. A presentation will be brought back to the October Board meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

12) Actuarial Reductions – Preliminary Report, Steve Nelsen

Steve Nelsen presented a Preliminary Report on Actuarial Reductions. Mr. Nelsen's Report included background information on disability benefits, death benefits and actuarial reduction with respect to the calculation of benefits. He also provided the Board two policy options concerning Actuarial Reductions.

OPTION #1

Draft a bill to provide that the eligibility requirements for service retirements and disability retirements are identical with respect to members who are 50 with 20 years of service. Request that the Department of Retirement Systems adopt rules regarding the actuarial reductions that will be applied to death benefits.

OPTION #2

Draft a bill to provide the eligibility requirements for service retirements are identical with respect to members who are age 50 with 20 years of service. The bill would codify the intended legislative interpretation of "actuarial reductions" with respect to death benefits.

The Board moved to forward the topic of Actuarial Reduction to the Final Proposal stage and bring back further information on option #2 (Draft a bill to provide the eligibility requirements for service retirements are identical with respect to members who are age 50 with 20 years of service. The bill would codify the intended legislative interpretation of "actuarial reductions" with respect to death benefits). Seconded.

MOTION CARRIED UNANIMOUSLY**13) Agenda Items for Next Meeting**

Mr. Nelsen reviewed the Agenda Items Calendar for the upcoming meeting. The Board members agreed to defer the topics of Pension Forfeiture and the Washington State Investment Board Briefing until an upcoming meeting.

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for October 25, 2006 from 9:30 a.m. – 3:00 p.m. at the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington 98502.

There being no further business, the meeting adjourned at 1:34 p.m.